

CITY OF HUXLEY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021

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City of Huxley

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kevin Deaton	Mayor	Jan 22
David Kuhn	Mayor Pro Tem	Jan 22
Tracey Roberts	Council Member	Jan 24
Nathan Easter	Council Member	Jan 24
Greg Mulder	Council Member	Jan 22
Rick Peterson	Council Member	Jan 22
Rita Conner	City Administrator	Indefinite
Amy Beattie	Attorney	Indefinite
Jolene Lettow	City Clerk	Indefinite
Jeremy Arends	City Treasurer	Indefinite
Forrest Aldrich	City Engineer	Indefinite

City of Huxley



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa, (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2020 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 32 has not been subjected to the auditing procedures applied in the audit of the basic statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



FALLER, KINCHELOE & CO., PLC

January 14, 2022

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 911,106	224,909	56,442	-	(629,755)	-	(629,755)
Public works	431,731	-	507,509	-	75,778	-	75,778
Health and social services	11,535	-	-	-	(11,535)	-	(11,535)
Culture and recreation	600,132	162,029	124,980	-	(313,123)	-	(313,123)
Community and economic development	487,905	-	51,412	-	(436,493)	-	(436,493)
General government	411,753	303,745	48,229	-	(59,779)	-	(59,779)
Debt service	2,662,117	-	-	-	(2,662,117)	-	(2,662,117)
Capital projects	3,588,637	-	423,500	1,381,267	(1,783,870)	-	(1,783,870)
Total governmental activities	9,104,916	690,683	1,212,072	1,381,267	(5,820,894)	-	(5,820,894)
Business type activities:							
Water	769,405	918,049	78,599	-	-	227,243	227,243
Sewer	695,020	930,841	24,403	-	-	260,224	260,224
Meter deposits	25,875	30,605	-	-	-	4,730	4,730
Total business type activities	1,490,300	1,879,495	103,002	-	-	492,197	492,197
Total	\$ 10,595,216	2,570,178	1,315,074	1,381,267	(5,820,894)	492,197	(5,328,697)
General Receipts and Transfers:							
Property tax and other city tax levied for:							
General purposes					918,342	-	918,342
Debt service					757,330	-	757,330
Tax increment financing					2,465,314	-	2,465,314
Local option sales tax					533,733	-	533,733
Other city tax					141,018	-	141,018
Commercial/industrial tax replacement					77,785	-	77,785
Unrestricted interest on investments					60,304	1,494	61,798
Rent					30,322	-	30,322
Transfers					32,569	(32,569)	-
Total general receipts and transfers					5,016,717	(31,075)	4,985,642
Change in cash basis net position					(804,177)	461,122	(343,055)
Cash basis net position beginning of year					5,756,670	2,445,654	8,202,324
Cash basis net position end of year					\$ 4,952,493	2,906,776	7,859,269
Cash Basis Net Position							
Restricted:							
Expendable:							
Streets					\$ 625,819	-	625,819
Debt service					745,155	189,065	934,220
Health plan trustee					70,170	39,312	109,482
Other purposes					706,182	48,420	754,602
Unrestricted					2,805,167	2,629,979	5,435,146
Total cash basis net position					\$ 4,952,493	2,906,776	7,859,269

See notes to financial statements.

City of Huxley

Exhibit B

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2021

	General	Special Revenue			Debt Service	Capital Projects	Total
		Road Use Tax	Urban Renewal Tax Increment	Low to Moderate Income			
Receipts:							
Property tax	\$ 918,342	-	-	-	757,330	-	1,675,672
Tax increment financing	-	-	2,465,314	-	-	-	2,465,314
Other city tax	669,313	-	-	-	5,438	-	674,751
Licenses and permits	201,899	-	-	-	-	-	201,899
Use of money and property	94,550	-	-	-	-	-	94,550
Intergovernmental	364,782	496,430	32,250	-	14,410	1,381,267	2,289,139
Charges for service	202,685	-	-	-	-	-	202,685
Special assessments	651	-	-	-	-	-	651
Miscellaneous	228,929	11,080	-	-	-	423,500	663,509
Total receipts	2,681,151	507,510	2,497,564	-	777,178	1,804,767	8,268,170
Disbursements:							
Operating:							
Public safety	911,106	-	-	-	-	-	911,106
Public works	43,263	388,468	-	-	-	-	431,731
Health and social services	11,535	-	-	-	-	-	11,535
Culture and recreation	600,132	-	-	-	-	-	600,132
Community and economic development	251,825	-	236,080	-	-	-	487,905
General government	411,753	-	-	-	-	-	411,753
Debt service	-	-	-	-	2,662,117	-	2,662,117
Capital projects	-	-	-	-	-	3,588,637	3,588,637
Total disbursements	2,229,614	388,468	236,080	-	2,662,117	3,588,637	9,104,916
Excess (deficiency) of receipts over (under) disbursements	451,537	119,042	2,261,484	-	(1,884,939)	(1,783,870)	(836,746)
Other financing sources (uses):							
Transfers in	70,462	-	-	205,693	1,997,330	-	2,273,485
Transfers out	-	-	(2,195,152)	-	-	(45,764)	(2,240,916)
Total other financing sources (uses)	70,462	-	(2,195,152)	205,693	1,997,330	(45,764)	32,569
Change in cash balances	521,999	119,042	66,332	205,693	112,391	(1,829,634)	(804,177)
Cash balances beginning of year	2,464,403	525,125	-	434,157	632,764	1,700,221	5,756,670
Cash balances end of year	\$ 2,986,402	644,167	66,332	639,850	745,155	(129,413)	4,952,493
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	625,819	-	-	-	-	625,819
Debt service	-	-	-	-	745,155	-	745,155
Health plan trustee	51,822	18,348	-	-	-	-	70,170
Other purposes	-	-	66,332	639,850	-	-	706,182
Assigned	4,518	-	-	-	-	-	4,518
Unassigned	2,930,062	-	-	-	-	(129,413)	2,800,649
Total cash basis fund balances	\$ 2,986,402	644,167	66,332	639,850	745,155	(129,413)	4,952,493

See notes to financial statements.

City of Huxley

Exhibit C

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise			Total
	Water	Sewer	Nonmajor - Meter Deposits	
Operating receipts:				
Licenses and permits	\$ 35,700	21,930	-	57,630
Charges for service	882,349	908,911	-	1,791,260
Miscellaneous	78,599	24,403	30,605	133,607
Total operating receipts	996,648	955,244	30,605	1,982,497
Operating disbursements:				
Business type activities	649,192	567,070	25,875	1,242,137
Total operating disbursements	649,192	567,070	25,875	1,242,137
Excess of operating receipts over operating disbursements	347,456	388,174	4,730	740,360
Non-operating receipts (disbursements):				
Interest on investments	747	747	-	1,494
Debt service	(120,213)	(127,950)	-	(248,163)
Net non-operating receipts (disbursements)	(119,466)	(127,203)	-	(246,669)
Excess of receipts over disbursements	227,990	260,971	4,730	493,691
Other financing sources (uses):				
Transfers out	(32,569)	-	-	(32,569)
Total other financing sources (uses)	(32,569)	-	-	(32,569)
Change in cash balances	195,421	260,971	4,730	461,122
Cash balances beginning of year	1,100,615	1,301,349	43,690	2,445,654
Cash balances end of year	\$ 1,296,036	1,562,320	48,420	2,906,776
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 98,500	90,565	-	189,065
Meter deposits	-	-	48,420	48,420
Health plan trustee	16,138	23,174	-	39,312
Unrestricted	1,181,398	1,448,581	-	2,629,979
Total cash basis fund balances	\$ 1,296,036	1,562,320	48,420	2,906,776

See notes to financial statements.

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of Huxley (City) is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Huxley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board and the Story County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Low to Moderate Income Fund is used to account for the low to moderate income monies received to be used for the low to moderate income program disbursements in the City.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the capital projects function prior to the June 2021 budget amendment. In addition, during the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works, capital projects and business type activities functions.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at times during the fiscal year, the City's deposits in banks were not entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

As of June 30, 2021, the City had the following investments:

	Carrying Amount	Fair Value	Maturity Date
U.S. EE Savings Bonds	\$ 12,100	23,179	January, 2023

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. EE Savings Bonds were determined using quoted market prices. (Level 1 inputs)

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Receivable

A \$200,000 loan was made to Fareway Stores, Inc. to construct a new retail store in Huxley. There is no interest on this note, and the City obtained a promissory note from the borrower. The principal advanced in relation to this note is due to the City on July 1, 2035, unless it is forgiven prior to this date. If certain agreed-upon conditions are met by Fareway Stores, Inc. a portion of the principal on this debt shall be forgiven annually. The amount of forgiveness on each forgiveness date shall be equal to 1/20th of the note balance. The principal balance owed on this loan at June 30, 2021 is \$150,000.

The management of the City believes the above note is collectible.

(4) Long-term Liabilities

A summary of changes in long-term liabilities payable for the year ended June 30, 2021 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Direct borrowings:					
General Obligation Bonds and Notes	\$ 256,000	-	68,000	188,000	70,000
General Obligation Bonds and Notes	8,550,000	-	770,000	7,780,000	1,230,000
Annual Appropriation General Obligation Bonds	5,390,000	-	1,475,000	3,915,000	1,160,000
Direct Borrowings - Capital Lease	-	10,841	3,542	7,299	3,612
Governmental activities total	<u>\$ 14,196,000</u>	<u>10,841</u>	<u>2,316,542</u>	<u>11,890,299</u>	<u>2,463,612</u>
Business type activities:					
Direct borrowings:					
Sewer Revenue Bonds	\$ 1,382,000	-	10,000	1,372,000	10,000
Sewer Revenue Bonds	410,000	-	80,000	330,000	80,000
Water Revenue Bonds	230,000	-	115,000	115,000	115,000
Business-type activities total	<u>\$ 2,022,000</u>	<u>-</u>	<u>205,000</u>	<u>1,817,000</u>	<u>205,000</u>

Direct Borrowings - General Obligation Bonds and Notes

A summary of the City’s June 30, 2021 direct borrowings general obligation bonds and notes payable is as follows:

Year Ending June 30,	Water Improvement Bond Series 2003SRF			Emergency Vehicle Acquisitions Note			Total		
	Issued April 16, 2003			Issued February 25, 2016					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 33,000	577	3.40%	\$ 37,000	5,270	70,000	5,847	75,847
2023		-	-	3.40%	38,000	4,012	38,000	4,012	42,012
2024		-	-	3.40%	39,000	2,720	39,000	2,720	41,720
2025		-	-	3.40%	41,000	1,394	41,000	1,394	42,394
		<u>\$ 33,000</u>	<u>577</u>		<u>\$ 155,000</u>	<u>13,396</u>	<u>188,000</u>	<u>13,973</u>	<u>201,973</u>

On April 16, 2003, the City issued \$500,000 in a water improvement bond with an interest rate of 1.75% per annum. The bond was issued to pay for the costs of a water improvement project. During the year ended June 30, 2021, the City paid \$32,000 of principal and \$1,138 of interest on the bond.

On February 25, 2016, the City issued a \$360,000 general obligation emergency vehicle acquisitions note with an interest rate of 3.40% per annum. The note was issued to purchase an emergency vehicle. During the year ended June 30, 2021, the City paid \$36,000 of principal and \$6,304 of interest on the bonds.

General Obligation Bonds and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Refunding Bonds Series 2016			Corporate Purpose and Refunding Bonds Series 2019A		
	Issued April 27, 2016			Issued October 29, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.50%	\$ 630,000	65,838	4.000%	\$ 325,000	78,544
2023	2.50%	650,000	50,088	2.000%	340,000	65,544
2024	2.50%	675,000	33,838	2.000%	345,000	58,744
2025	2.75%	295,000	16,963	2.000%	350,000	51,844
2026	2.75%	295,000	8,850	2.000%	360,000	44,844
2027-2031		-	-	2.375%	1,585,000	103,670
		<u>\$ 2,545,000</u>	<u>175,577</u>		<u>\$ 3,305,000</u>	<u>403,190</u>

Year Ending June 30,	Corporate Purpose Bonds Series 2020A			Total		
	Issued June 10, 2020					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ 275,000	36,690	1,230,000	181,072	1,411,072
2023	2.00%	170,000	31,190	1,160,000	146,822	1,306,822
2024	2.00%	175,000	27,790	1,195,000	120,372	1,315,372
2025	2.00%	175,000	24,290	835,000	93,097	928,097
2026	2.00%	180,000	20,790	820,000	74,484	894,484
2027-2031	1.80%	955,000	52,020	2,540,000	155,690	2,695,690
		<u>\$ 1,930,000</u>	<u>192,770</u>	<u>\$ 7,780,000</u>	<u>771,537</u>	<u>8,551,537</u>

On April 27, 2016, the City issued \$3,315,000 of general obligation refunding bonds with interest rates ranging from 1.70% to 3.00% per annum. The bonds were issued to pay the costs of advance refunding the outstanding balance of the City's General Obligation Corporate Purpose Bonds, Series 2010C, and advance refund a portion of the City's General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2010D. During the year ended June 30, 2021, the City paid \$265,000 of principal and \$70,343 of interest on the bonds.

On October 29, 2019, the City issued \$3,695,000 of general obligation corporate purpose and refunding bonds with interest rates ranging from 2.00% to 4.00% per annum. The bonds were issued to finance extensions and improvements to the municipal sanitary sewer system and the municipal waterworks system, current refund the City's General Obligation Refunding Bonds, Series 2012A, and to pay costs associated with issuance of the Bonds. During the year ended June 30, 2021, the City paid \$185,000 of principal and \$85,944 of interest on the bonds.

On June 10, 2020, the City issued \$2,250,000 of general obligation corporate purpose bonds with interest rates ranging from 1.80% to 2.00% per annum. The bonds were issued to finance street, water system, sanitary sewer system, stormwater drainage and sidewalk improvements, to finance street lighting, signage and signalization improvements, to finance trail improvements, and to pay the costs associated with the issuance of the Bonds. During the year ended June 30, 2021, the City paid \$320,000 of principal and \$42,013 of interest on the bonds.

Annual Appropriation General Obligation Bonds

The City's June 30, 2021 annual appropriation general obligation bonds payable is as follows:

Year Ending June 30,	Refunding Bonds Series 2013A			Refunding Bonds Series 2017			Total		
	Issued April 30, 2013			Issued May 4, 2017					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 495,000	14,852	2.25%	\$ 665,000	91,538	1,160,000	106,390	1,266,390
2023		-	-	2.50%	805,000	76,575	805,000	76,575	881,575
2024		-	-	2.75%	820,000	56,450	820,000	56,450	876,450
2025		-	-	3.00%	835,000	33,900	835,000	33,900	868,900
2026		-	-	3.00%	295,000	8,850	295,000	8,850	303,850
		<u>\$ 495,000</u>	<u>14,852</u>		<u>\$3,420,000</u>	<u>267,313</u>	<u>3,915,000</u>	<u>282,165</u>	<u>4,197,165</u>

The obligations of the City to pay principal of and interest on the bonds are general obligations of the issuer payable from debt service tax revenues and other amounts lawfully available, all to the extent appropriated by the City Council in a fiscal year and subject to the right of the City Council not to appropriate any debt service tax revenues or other amounts lawfully available in any fiscal year.

In the event of nonappropriation by the City, the City's obligations under the bonds shall terminate and become null and void on the last day of the fiscal year for which necessary funds were appropriated and in no event shall such obligations be payable from or be recourse against any properties, assets or revenues of the issuer, the State of Iowa or any other political subdivisions of the State of Iowa and the bondholders shall not have any recourse or right of action against the issuer, the State of Iowa, or any other political subdivision thereof on account of such obligations or any liabilities, or whatsoever nature, arising in connection therewith.

The future principal and interest payment amounts identified in the annual appropriation general obligation bonds and notes column are based on the assumption that the City will appropriate funds every year to meet the above obligations. However, if the City does not appropriate funds for a year, the City's obligations in relation to the bonds and notes principal and interest shall terminate and become null and void on the last day of the fiscal year for which the necessary funds were appropriated.

On April 30, 2013, the City issued \$4,590,000 of general obligation annual appropriation refunding bonds with interest rates ranging from 1.75% to 3.00% per annum. The bonds were issued to pay the costs of a crossover advance refunding of the City's outstanding General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2006C. During the year ended June 30, 2021, the City paid \$575,000 of principal and \$31,813 of interest on the bonds.

On May 4, 2017, the City issued \$6,855,000 of general obligation annual appropriation refunding bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued to pay the costs of the current refunding of the City's General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2009A, current refunding of the City's General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2010D and the pay certain costs of issuance related to the Bonds. During the year ended June 30, 2021, the City paid \$900,000 of principal and \$109,538 of interest on the bonds.

Direct Borrowings - Capital Lease

A summary of the City's June 30, 2021 direct borrowings capital lease payable is as follows:

Year Ended June 30,	Total
2022	\$ 3,758
2023	3,758
Minimum Lease Payments	7,516
Less Amount Representing Interest	(217)
Present Value of Minimum Lease Payments	<u>\$ 7,299</u>

On September 11, 2020, the City entered into a lease-purchase agreement for \$10,841 to lease computer equipment. The lease term is for three years, with interest at 2.00% per annum. The lease is collateralized by the equipment. For the year ended June 30, 2021, principal and interest paid on the capital lease totaled \$3,759. The principal balance at June 30, 2021 was \$7,299.

Direct Borrowings – Sewer Revenue Bonds

A summary of the City's June 30, 2021 direct borrowings sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer Series 2009 SRF Issued August 26, 2009			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 10,000	24,010	10,000	24,010	34,010
2023	1.75%	10,000	23,835	10,000	23,835	33,835
2024	1.75%	10,000	23,660	10,000	23,660	33,660
2025	1.75%	10,000	23,485	10,000	23,485	33,485
2026	1.75%	77,000	23,310	77,000	23,310	100,310
2027-2031	1.75%	422,000	95,516	422,000	95,516	517,516
2032-2036	1.75%	496,000	56,089	496,000	56,089	552,089
2037-2039	1.75%	337,000	11,918	337,000	11,918	348,918
		<u>\$ 1,372,000</u>	<u>281,823</u>	<u>1,372,000</u>	<u>281,823</u>	<u>1,653,823</u>

Direct Borrowings - Sewer Revenue Bonds – 2009

On August 26, 2009, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$6,330,000 with interest at 3.00% per annum, which was later amended to 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system.

Sewer Revenue Bonds

A summary of the City's June 30, 2021 sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer Refunding Bonds Series 2013C					
	Issued April 30, 2013			Total		
	Interest					
	Rates	Principal	Interest	Principal	Interest	Total
2022	2.10%	\$ 80,000	8,180	80,000	8,180	88,180
2023	2.10%	80,000	6,500	80,000	6,500	86,500
2024	2.10%	85,000	4,420	85,000	4,420	89,420
2025	2.60%	85,000	2,210	85,000	2,210	87,210
		<u>\$ 330,000</u>	<u>21,310</u>	<u>330,000</u>	<u>21,310</u>	<u>351,310</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$7,255,000 in sewer revenue bonds issued in August 2009 and April 2013. Proceeds from the bonds provided financing for the construction of improvements to the sanitary sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payment on the bonds are expected to require less than 32% of net receipts. The total principal and interest remaining to be paid on the bonds issued in August, 2009 and April, 2013 is \$2,005,133. For the current year, principal and interest paid and total customer net receipts were \$124,045 and \$388,174, respectively.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a sewer revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) A reserve account of \$90,565 is required to be maintained in the Enterprise, Sewer Fund.
- (e) All users of the system, including the City, are required to be charged for service.
- (f) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The City did not properly fund the sewer revenue bond and interest sinking account in the Enterprise, Sewer Fund as required.

For part of the fiscal year, the City also did not maintain an adequate amount in the reserve account in the Enterprise, Sewer Fund as required by the bond resolutions.

The City is not charged for sewer usage, as required by the bond resolutions.

Water Revenue Bonds

A summary of the City's June 30, 2021 water revenue bonds payable is as follows:

Year Ending June 30,	Water Refunding Bonds Series 2013B					
	Issued April 30, 2013			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	2.00%	\$ 115,000	2,300	115,000	2,300	117,300
		\$ 115,000	2,300	115,000	2,300	117,300

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$985,000 in water revenue bonds issued in April 2013. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payment on the bonds are expected to require less than 35% of net receipts. The total principal and interest remaining to be paid on the bonds issued in April, 2013 is \$117,300. For the current year, principal and interest paid and total customer net receipts were \$119,600 and \$347,456, respectively.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Utility and the bond holder holds a lien on the future earnings of the funds.
- (b) The City shall establish a rate to be charged to customers in order to produce gross revenues at least sufficient to pay expenses of the operation and maintenance of the Utility, and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding bonds and notes due in the fiscal year.
- (c) Monthly transfers of 1/6 of the installment of interest next due and 1/12 of the installment of principal next due shall be made to a water revenue bond and interest sinking account. Monies in this fund are to be used solely for the purpose of paying principal and interest on the bonds.
- (d) A reserve account of \$98,500 is required to be maintained in the Enterprise, Water Fund.
- (e) All users of the system, including the City, are required to be charged for service.
- (f) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to pay for extraordinary repairs or replacements to the system, may be used to pay or redeem any bonds, and then can be used for any lawful purpose.

The City did not properly fund the water revenue bond and interest sinking account in the Enterprise, Water Fund as required.

The City is not charged for water usage, as required by the bond resolutions.

(5) **Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$130,916.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$877,530 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0124920%, which was an increase of 0.002553% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$181,626, \$239,893 and \$124,183, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25%, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,691,706	877,530	195,152

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$152,010 and plan members eligible for benefits contributed \$23,335 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>20</u>
Total	<u><u>20</u></u>

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 24,698
	Capital Projects	<u>45,764</u>
		<u>70,462</u>
Special Revenue:	Special Revenue:	
Low to Moderate Income	Urban Renewal Tax Increment	<u>205,693</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	1,964,761
	Enterprise:	
	Water	<u>32,569</u>
		<u>1,997,330</u>
Total		<u><u>\$ 2,273,485</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Compensated Absences

City employees accumulate a limited amount of earned but unused sick and vacation time and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned sick and vacation payable and compensatory hours payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Sick leave	\$ 136,677
Compensatory time	2,261
Vacation	<u>122,533</u>
Total	<u><u>\$ 261,471</u></u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(9) Tower Lease

The City is leasing antenna space on the water tower to Iowa RSA 10 General Partnership (tenant). The initial term of the lease began in the year 2000. The City received \$24,401 from this lease in fiscal year 2021, which will increase by 2% per year until February 2026. As long as this lease is in effect, the base rent for this lease will be increased by 2% over the previous year's base rent.

(10) 28E Agreements

In July 2014, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers, and operates the system as well as determines the amount of current and future debt required to operate the system. The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2034 unless both parties agree to terminate. The City of Huxley's share is determined based on a ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants of the system. The City's share is presently 3.36% of the total. The City's payment for the year ended June 30, 2021 was \$34,829.

Effective July 1, 2017, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for use of the City's Library by the School. This agreement is now on a year to year basis. Ballard Community School District reimbursed the City of Huxley \$77,742 under this agreement for the year ended June 30, 2021.

(11) Interfund Loan

During the years ended June 30, 2018 and June 30, 2020, the General Fund loaned \$200,000 to the Special Revenue, Urban Renewal Tax Increment Fund in order to pay a developer (Iron Bridge). This loan will be repaid from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund once incremental tax revenues are received. There is no interest on this loan. The loan is structured to be repaid in 11 annual installments on June 1 of each year beginning June 1, 2021. The balance on this loan at June 30, 2021 was \$200,000.

(12) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(13) Employee Health Insurance Plan

The City self-funds a portion of health insurance deductibles for its employees. The plan is funded by both employee and City contributions and is administered by Employee Benefit Systems (EBS) under an agreement which is subject to automatic renewal. The City self-funds up to \$4,000 per individual or \$8,000 per family, with employees contributing the first \$1,000 to \$2,000, respectively. Administrative service fees and premiums are paid monthly from the City's operating funds to a separate account administered by EBS. During the year ended June 30, 2021, the City paid \$36,420 into the account. At June 30, 2021, the account balance was \$109,482. The activity for this account is recorded in the City's General Fund, the Special Revenue, Road Use Tax Fund, the Enterprise, Water Fund and the Enterprise, Sewer Fund.

(14) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings and infrastructure. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The related low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families.

The City rebated \$235,847 to the developers during fiscal year 2021. The outstanding balance of the agreements at June 30, 2021 subject to annual appropriation was \$54,981,951. This amount assumes that the developers will develop enough property to obtain this amount. However, City personnel believe that the developers will not develop enough properties in the time period of the agreements to obtain the entire rebate amount.

The agreements are not a general obligation of the City. In addition, the agreements are not subject to the constitutional debt limitation of the City because these agreements are subject to annual appropriation by the City Council.

(15) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$67,971 of property tax was diverted from the City under the urban renewal and economic development agreements.

(16) Fund Balance

The City's assigned fund balance in the General Fund of \$4,518 as of June 30, 2021 consists of assigned monies for the cemetery.

(17) Commitments

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

The City has entered into an agreement for infrastructure construction for East 1st Street. As of June 30, 2021, approximately \$622,000 remains to be paid on this project. These costs will be paid for as work progresses. It is anticipated that these projects will be completed in fiscal year 2022. The City intends to pay for these costs from existing cash reserves.

The City received a commitment from a local business for a donation of \$450,000 which will be paid to the City. This money is designated by the donor for specific City projects. City personnel indicated that this money was received in fiscal year 2022.

(18) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City.

(19) Subsequent Events

The City has evaluated all subsequent events through January 14, 2022, the date the financial statements were available to be issued.

In November 2021, the City issued \$7,415,000 of Water Revenue Improvement and Refunding Bonds, Series 2021A. Principal and interest payment on these bonds shall only be payable from the net revenues of the water utility. The monies from this bond will be used to pay for improvements and extensions to the water utility.

(20) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Huxley
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,675,672	-	1,675,672	1,679,242	1,679,242	(3,570)
Tax increment financing	2,465,314	-	2,465,314	2,600,338	2,600,338	(135,024)
Other city tax	674,751	-	674,751	482,314	482,314	192,437
Licenses and permits	201,899	57,630	259,529	138,100	178,100	81,429
Use of money and property	94,550	1,494	96,044	276,500	339,500	(243,456)
Intergovernmental	2,289,139	-	2,289,139	485,532	485,532	1,803,607
Charges for service	202,685	1,791,260	1,993,945	2,171,600	2,171,600	(177,655)
Special assessments	651	-	651	1,000	1,000	(349)
Miscellaneous	663,509	133,607	797,116	-	125,235	671,881
Total receipts	8,268,170	1,983,991	10,252,161	7,834,626	8,062,861	2,189,300
Disbursements:						
Public safety	911,106	-	911,106	934,744	1,025,122	114,016
Public works	431,731	-	431,731	425,568	429,968	(1,763)
Health and social services	11,535	-	11,535	12,000	12,000	465
Culture and recreation	600,132	-	600,132	596,190	649,190	49,058
Community and economic development	487,905	-	487,905	1,460,390	1,460,390	972,485
General government	411,753	-	411,753	531,338	587,938	176,185
Debt service	2,662,117	-	2,662,117	2,312,054	2,675,054	12,937
Capital projects	3,588,637	-	3,588,637	-	2,929,595	(659,042)
Business type activities	-	1,490,300	1,490,300	1,459,595	1,459,595	(30,705)
Total disbursements	9,104,916	1,490,300	10,595,216	7,731,879	11,228,852	633,636
Excess (deficiency) of receipts over (under) disbursements	(836,746)	493,691	(343,055)	102,747	(3,165,991)	2,822,936
Other financing sources, net	32,569	(32,569)	-	-	1,433,500	(1,433,500)
Change in balances	(804,177)	461,122	(343,055)	102,747	(1,732,491)	1,389,436
Balances beginning of year	5,756,670	2,445,654	8,202,324	6,176,380	6,176,380	2,025,944
Balances end of year	\$ 4,952,493	2,906,776	7,859,269	6,279,127	4,443,889	3,415,380

See accompanying independent auditor's report.

City of Huxley

Notes to Other Information - Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$3,496,973. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the capital projects function prior to the June 2021 budget amendment. During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the public works, capital projects and the business type activities functions.

City of Huxley

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.012492%	0.009939%	0.009764%	0.010580%	0.010575%	0.010742%	0.000856%
City's proportionate share of the net pension liability	\$ 878	576	618	705	666	531	402
City's covered payroll	\$ 1,363	1,163	1,053	1,071	1,039	1,029	1,030
City's proportionate share of the net pension liability as a percentage of its covered payroll	64.42%	49.53%	58.69%	65.83%	64.10%	51.60%	39.03%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceeding fiscal year.

See accompanying independent auditor's report.

City of Huxley

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 131	131	113	97	98	95	95	92	91	85
Contributions in relation to the statutorily required contribution	(131)	(131)	(113)	(97)	(98)	(95)	(95)	(92)	(91)	(85)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,379	1,363	1,163	1,053	1,071	1,039	1,064	1,030	1,050	1,052
Contributions as a percentage of covered payroll	9.50%	9.61%	9.72%	9.21%	9.15%	9.14%	8.93%	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

City of Huxley

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

Supplementary Information

City of Huxley

Schedule 1

Schedule of Indebtedness

Year ended June 30, 2021

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds and Notes:									
Water improvent bond, Series 2003SRF	April 16, 2003	1.75%	\$ 500,000	65,000	-	32,000	33,000	1,138	-
Emergency vehicle acquisitions note	February 25, 2016	3.40%	360,000	191,000	-	36,000	155,000	6,304	-
Refunding bonds, Series 2016	April 27, 2016	1.70-3.00%	3,315,000	2,810,000	-	265,000	2,545,000	70,343	-
Corporate purpose and refunding bonds, Series 2019A	October 29, 2019	2.00-4.00%	3,695,000	3,490,000	-	185,000	3,305,000	85,944	-
Corporate purpose bonds, Series 2020A	June 10, 2020	1.80-2.00%	2,250,000	2,250,000	-	320,000	1,930,000	42,013	-
Total				\$ 8,806,000	-	838,000	7,968,000	205,742	-
Annual Appropriation General Obligation Bonds:									
Refunding bonds, Series 2013A	April 30, 2013	1.75-3.00%	\$ 4,590,000	1,070,000	-	575,000	495,000	31,813	-
Refunding bonds, Series 2017	May 4, 2017	2.00-3.00%	6,855,000	4,320,000	-	900,000	3,420,000	109,538	-
Total				\$ 5,390,000	-	1,475,000	3,915,000	141,351	-
Capital Lease: Equipment	September 11, 2020	2.00%	\$ 10,841	-	10,841	3,542	7,299	217	-
Revenue Bonds:									
Sewer, Series 2009 SRF	August 26, 2009	1.75%	\$ 6,330,000	1,382,000	-	10,000	1,372,000	24,185	-
Sewer refunding bonds, Series 2013C	April 30, 2013	0.85-2.60%	925,000	410,000	-	80,000	330,000	9,860	-
Water refunding bonds, Series 2013B	April 30, 2013	0.65-2.00%	985,000	230,000	-	115,000	115,000	4,600	-
				\$ 2,022,000	-	205,000	1,817,000	38,645	-

See accompanying independent auditor's report.

City of Huxley
Bond and Note Maturities
June 30, 2021

Schedule 2

General Obligation Bonds and Notes											
Year Ending June 30,	Water Improvement Bond, Series 2003 SRF Issued April 16, 2003		Emergency Vehicle Acquisitions Note Issued February 25, 2016		Refunding Bonds, Series 2016 Issued April 27, 2016		Corporate Purpose and Refunding Bonds, Series 2019A Issued October 29, 2019		Corporate Purpose Bonds Series 2020A Issued June 10, 2020		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	1.75%	\$ 33,000	3.40%	\$ 37,000	2.50%	\$ 630,000	4.000%	\$ 325,000	2.00%	\$ 275,000	1,300,000
2023	-	-	3.40%	38,000	2.50%	650,000	2.000%	340,000	2.00%	170,000	1,198,000
2024	-	-	3.40%	39,000	2.50%	675,000	2.000%	345,000	2.00%	175,000	1,234,000
2025	-	-	3.40%	41,000	2.75%	295,000	2.000%	350,000	2.00%	175,000	861,000
2026	-	-	-	-	3.00%	295,000	2.000%	360,000	2.00%	180,000	835,000
2027	-	-	-	-	-	-	2.375%	365,000	1.80%	185,000	550,000
2028	-	-	-	-	-	-	2.375%	370,000	1.80%	190,000	560,000
2029	-	-	-	-	-	-	2.375%	380,000	1.80%	190,000	570,000
2030	-	-	-	-	-	-	2.375%	230,000	1.80%	195,000	425,000
2031	-	-	-	-	-	-	2.375%	240,000	1.80%	195,000	435,000
		<u>\$ 33,000</u>		<u>\$ 155,000</u>		<u>\$ 2,545,000</u>		<u>\$ 3,305,000</u>		<u>\$ 1,930,000</u>	<u>7,968,000</u>

Annual Appropriation General Obligation Bonds						Revenue Bonds					
Year Ending June 30,	Refunding Bonds, Series 2013A Issued April 30, 2013		Refunding Bonds, Series 2017 Issued May 4, 2017		Total	Sewer, Series 2009 SRF Issued August 26, 2009		Sewer Refunding Bonds, Series 2013C Issued April 30, 2013		Water Refunding Bonds, Series 2013B Issued April 30, 2013	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2022	3.00%	\$ 495,000	2.25%	\$ 665,000	1,160,000	1.75%	\$ 10,000	2.10%	\$ 80,000	2.00%	\$ 115,000
2023	-	-	2.50%	805,000	805,000	1.75%	10,000	2.10%	80,000	-	-
2024	-	-	2.75%	820,000	820,000	1.75%	10,000	2.10%	85,000	-	-
2025	-	-	3.00%	835,000	835,000	1.75%	10,000	2.60%	85,000	-	-
2026	-	-	3.00%	295,000	295,000	1.75%	77,000	-	-	-	-
2027	-	-	-	-	-	1.75%	79,000	-	-	-	-
2028	-	-	-	-	-	1.75%	82,000	-	-	-	-
2029	-	-	-	-	-	1.75%	84,000	-	-	-	-
2030	-	-	-	-	-	1.75%	87,000	-	-	-	-
2031	-	-	-	-	-	1.75%	90,000	-	-	-	-
2032	-	-	-	-	-	1.75%	93,000	-	-	-	-
2033	-	-	-	-	-	1.75%	96,000	-	-	-	-
2034	-	-	-	-	-	1.75%	99,000	-	-	-	-
2035	-	-	-	-	-	1.75%	102,000	-	-	-	-
2036	-	-	-	-	-	1.75%	106,000	-	-	-	-
2037	-	-	-	-	-	1.75%	109,000	-	-	-	-
2038	-	-	-	-	-	1.75%	112,000	-	-	-	-
2039	-	-	-	-	-	1.75%	116,000	-	-	-	-
		<u>\$ 495,000</u>		<u>\$ 3,420,000</u>	<u>3,915,000</u>		<u>\$ 1,372,000</u>		<u>\$ 330,000</u>		<u>\$ 115,000</u>
											<u>1,817,000</u>

See accompanying independent auditor's report.

City of Huxley

Schedule 3

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 1,675,672	1,371,703	1,260,921	1,141,220	1,081,234	1,013,285	973,787	849,818	872,407	521,753
Tax increment financing	2,497,564	2,681,875	2,541,200	2,291,113	2,189,812	2,235,743	2,178,168	2,101,373	2,281,768	2,331,296
Other city tax	674,751	586,988	563,760	563,914	559,696	560,646	482,683	444,365	360,618	459,438
Licenses and permits	201,899	156,088	220,118	126,547	141,549	127,772	63,734	69,883	64,605	15,443
Use of money and property	94,550	93,639	71,258	49,948	52,004	68,747	61,117	72,324	32,903	80,887
Intergovernmental	2,256,889	806,914	725,487	640,773	963,476	849,685	774,051	727,657	582,409	1,534,637
Charges for service	202,685	205,037	237,837	217,972	273,771	255,184	227,647	135,162	165,466	214,352
Special assessments	651	1,112	979	1,615	1,015	1,911	-	-	-	-
Miscellaneous	663,509	584,948	352,160	430,236	284,946	220,565	292,774	218,786	314,658	646,236
Total	\$ 8,268,170	6,488,304	5,973,720	5,463,338	5,547,503	5,333,538	5,053,961	4,619,368	4,674,834	5,804,042
Disbursements:										
Operating:										
Public safety	\$ 911,106	967,487	731,684	657,969	645,710	800,306	635,966	543,729	545,376	552,613
Public works	431,731	623,694	401,999	429,062	352,490	367,662	335,673	377,883	304,851	300,472
Health and social services	11,535	11,535	11,535	13,373	14,200	13,888	12,680	11,250	12,147	19,605
Culture and recreation	600,132	623,739	542,108	517,772	608,696	524,999	484,236	451,366	459,964	496,862
Community and economic development	487,905	839,024	946,283	820,995	831,207	501,735	476,832	618,130	285,948	566,156
General government	411,753	527,492	432,703	351,541	350,873	358,872	335,770	372,346	472,638	360,225
Debt service	2,662,117	4,839,832	2,268,753	2,131,619	10,042,101	2,324,252	2,021,882	1,439,289	2,547,380	2,144,232
Capital projects	3,588,637	2,272,551	164,734	522,416	238,972	3,584,895	867,835	288,147	422,661	6,207,457
Total	\$ 9,104,916	10,705,354	5,499,799	5,444,747	13,084,249	8,476,609	5,170,874	4,102,140	5,050,965	10,647,622

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa (City) as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting as a basis for designing audit procedures appropriate that are in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in part I of the accompanying Schedule of Findings as items I-A-21, I-B-21, I-C-21, I-E-21, I-F-21 and I-G-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-D-21 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



FALLER, KINCHELOE & CO., PLC

January 14, 2022

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-21 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash.
- (2) Receipts – collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements – purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Long-term debt – recordkeeping and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The City will review its control procedures to obtain the maximum internal control possible with the limited staff it has.

Conclusion – Response acknowledged.

I-B-21 Preparation of Financial Statements

Criteria - A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity.

City of Huxley

Schedule of Findings

Year ended June 30, 2021

Condition - As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause - We recognize that with a limited number of office employees, preparation of the financial statements and accompanying notes to the financial statements is difficult.

Effect - The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and accompanying notes to the financial statements internally.

Response - These are very technical issues that the average citizen would not understand. This issue relates to auditor independence issues, and we accept the risk associated with not being able to prepare these documents and apply accounting principles in accordance with an other comprehensive basis of accounting.

Conclusion - Response acknowledged.

I-C-21 Bank Reconciliations

Criteria - An effective internal control system provides for internal controls related to reconciling monthly financial reports to all bank accounts and investments.

Condition - Although bank reconciliations are performed monthly, differences were noted between the bank and investment account balances recorded on the bank reconciliations compared to the bank and investment account balances as recorded on the accounting system.

Cause - City policies do not require and procedures have not been established to ensure bank and investment account balances are reconciled monthly to the book balances recorded on the accounting system.

Effect - Lack of performing a comparison of book balances with the bank reconciliation balances could result in undetected errors or unauthorized activity.

Recommendation - To improve financial accountability and control, monthly bank and investment account balances should be reconciled to book balances and variances between book and bank balances should be investigated and resolved timely.

Response - We will review our procedures to ensure our bank reconciliations are accurately completed.

Conclusion - Response acknowledged.

City of Huxley

Schedule of Findings

Year ended June 30, 2021

I-D-21 Receipts

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – Material amounts of receipts are not deposited timely by the City.

Cause – City policies do not require and procedures have not been established to ensure all receipts are deposited timely.

Effect – Lack of City policies and procedures resulted in City employees not depositing timely.

Recommendation – The City should establish procedures to ensure all receipts are deposited timely.

Response – The City will ensure all receipts are deposited timely.

Conclusion – Response acknowledged.

I-E-21 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – Transfers are posted to accounts 391 and 392 in the fund balance section and do not get closed out at the end of each fiscal year. Sales tax receipts and disbursements and customer deposit receipts and disbursements are recorded as a liability on the accounting system, instead of cash receipts and disbursements. In addition, significant transactions were not recorded on the accounting records by the City. Adjustments were subsequently made by the City to properly record these amounts on the financial statements.

Cause – City policies do not require and procedures have not been established to provide for an independent review of the accounting records to ensure the City's financial statements are accurate.

Effect – Lack of City policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City's financial statements were necessary.

Recommendation – The City should establish procedures to ensure all transactions, receipts and disbursements are properly recorded and reported in the City's cash basis of accounting financial statements and that transfer accounts 391 and 392 are closed at the end of each fiscal year.

City of Huxley
Schedule of Findings
Year ended June 30, 2021

Response – The City will ensure all transactions, receipts and disbursements are reviewed for proper reporting in the financial statements and accounts 391 and 392 will be closed at the end of the fiscal year.

Conclusion – Response acknowledged.

I-F-21 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling utility billings, collections and delinquent accounts to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts.

Condition – Although the City's utility software generates monthly reports of utility billings, collections and delinquent accounts, the amounts are not reconciled from month to month.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly utility billings, collections and delinquent accounts are reconciled each month to the City's financial and utility billing records.

Effect – Inadequate reconciliations can result in unrecorded or misstated utility receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should ensure utility billings, collections and delinquent accounts are reconciled on a monthly basis, and that all amounts on the reconciliation are properly supported.

Response – The City will ensure utility reconciliations are properly supported and reviewed.

Conclusion – Response acknowledged.

I-G-21 Reconciliation of Ambulance Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to reconciling ambulance billings, collections and delinquent accounts to ensure proper recording of ambulance receipts, the propriety of adjustments and write-offs and the propriety of delinquent accounts.

Condition – Although the City's ambulance software generates monthly reports of ambulance billings, collections and delinquent accounts, the amounts are not reconciled from month to month.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly ambulance billings, collections and delinquent accounts are reconciled each month to the City's financial and ambulance billing records.

Effect – Inadequate reconciliations can result in unrecorded or misstated ambulance receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should ensure ambulance billings, collections and delinquent accounts are reconciled on a monthly basis, and that all amounts on the reconciliation are properly supported.

Response – The City will ensure ambulance reconciliations are properly supported and reviewed.

Conclusion – Response acknowledged.

City of Huxley

Schedule of Findings

Year ended June 30, 2021

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Huxley
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Part II: Other Findings Related to Required Statutory Reporting:

- II-A-21 Certified Budget – During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the capital projects function prior to the June 2021 budget amendment. Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public works, capital projects and business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

In addition, the budget document did not include certain debt issues of the City of Huxley (City).

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. In addition, all debt issues should be recorded on the budget documents as required.

Response – The budget will be amended before disbursements are allowed to exceed the budget, and all debt issues will be included on the budget documents in the future.

Conclusion – Response acknowledged.

- II-B-21 Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

Paid to	Purpose	Amount
IPERS	Late fee and interest	\$ 39

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The City should determine and document the public purpose served by these disbursements before authorizing any further payments.

Response – We will review this issue.

Conclusion – Response acknowledged.

- II-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-21 Business Transactions – No business transactions between the City and City officials or employees were noted.

- II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

- II-F-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-G-21 City Council Minutes – Transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Huxley

Schedule of Findings

Year ended June 30, 2021

Some claims were not approved by the City Council. Total expenditures from each city fund were not consistently published in the newspaper. Several claims were not published in the newspaper. Chapter 372.13(6) of the Code of Iowa requires total expenditures from each city fund and a list of all claims allowed be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure that total expenditures from each city fund and all claims are included in the newspaper publications,

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

- II-H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted, except that the depository resolution was exceeded by approximately \$850,000 in April 2021.

Recommendation – The City should ensure the depository resolution amount exceeds the actual cash balance in the bank to ensure compliance with Chapter 12C.2 of the Code of Iowa.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-I-21 Revenue Bonds - The following instances of non-compliance with the water and sewer revenue bond resolutions were noted:

- The sewer revenue bond resolutions require the City to make sufficient monthly transfers to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City did not adequately fund the sewer revenue bond sinking account each month as required.
- The water revenue bond resolutions require the City to make sufficient monthly transfers to a separate water revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City did not adequately fund the water revenue bond sinking account each month as required.
- The City's reserve account in the Enterprise, Sewer Fund was deficient at times during the year ended June 30, 2021.
- The water and sewer revenue bond resolutions require all users of the system, including the City, be charged for usage. The City is not charged for water and sewer service.

Recommendation – The City should make adequate transfers to the sewer revenue bond sinking account and the water revenue bond sinking account for the purpose of making the bond principal and interest payments when due, and properly fund the sewer reserve account as required. The City should also ensure all users pay for water and sewer usage.

Response – We will implement these recommendations.

Conclusion – Response acknowledged.

City of Huxley

Schedule of Findings

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- II-J-21 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-K-21 Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

Response – We will implement this recommendation

Conclusion – Response acknowledged.

- II-L-21 Interfund Transfers – Interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

Response – We will implement this recommendation in the future.

Conclusion – Response acknowledged.

- II-M-21 Public Improvements – The City did not publish a notice of the public hearing for a roofing project as required by Chapters 26.12 and 362.3 of the Code of Iowa. In addition, for this same project, the City did not obtain competitive bids as required by Chapters 26.3 and 314.1B of the Code of Iowa. An engineer was not used for the project in question, as required by Chapter 26.3 of the Code of Iowa. In addition, no bid security was provided to the City for this project, as required by Chapter 26.8 of the Code of Iowa.

Recommendation – The City should implement procedures for public improvement projects to ensure compliance with Chapters 26, 362.3 and 314.1B of the Code of Iowa in relation to public hearings, competitive bids, use of an engineer and bid security.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Huxley

Schedule of Findings

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- II-N-21 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted the following regarding the City's TIF debt certifications to the County Auditor:

- The certifications included rebate amounts which could not be supported by the City's records.
- The certifications understated debt amounts expected to be repaid with TIF funds.

Recommendation – The City should consult TIF legal counsel to determine the disposition of these issues. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

- II-O-21 Tax Increment Financing Fund Disbursements and Procedures – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable LMI assistance.

During the year ended June 30, 2021, the City paid \$43,205 of claims for administrative costs, interest and fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

During the year ended June 30, 2021, the City made transfers of \$2,195,152 from the Special Revenue, Urban Renewal Tax Increment Fund to various other City funds. The City was unable to locate supporting documentation for a portion of these transfer amounts. As a result, we were unable to determine the propriety of a portion of these transfers.

It appears the City underpaid a developer \$45,331 in relation to a TIF development agreement.

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for these unallowable costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

The City should consult with TIF legal counsel to determine the propriety of the current year transfers.

The City should also ensure the amounts paid to the developer are accurately computed and paid to the developer.

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Response – We will consult with legal counsel in relation to these issues.

Conclusion – Response acknowledged.

- II-P-21 Lease-Purchase Agreement – The City entered into a lease-purchase agreement for the purchase of computers. However, the City did not follow the notice and public hearing requirements as required pursuant to Chapters 384.25, 362.3 and 364.4 of the Code of Iowa.

Recommendation – The City implement procedures to ensure compliance with the Code of Iowa in relation to entering into lease-purchase agreements,

Response – This was an oversight on our part, we will implement this recommendation on future lease-purchase agreements.

Conclusion – Response acknowledged.

- II-Q-21 Local Option Sales and Services Tax – The City imposed a local sales and services tax in the City with receipts to be allocated as follows: 80% for property tax relief and 8% for human service programs, 8% for general purposes and 4% for economic development. Documentation was not maintained to demonstrate the tax receipts were spent in accordance with the provisions of the referendum authorizing the collection of the tax.

Recommendation – The City should maintain documentation to demonstrate local option sales tax collections are disbursed in compliance with the provisions of the referendum.

Response – We will do our best to implement this recommendation.

Conclusion – Response acknowledged.

- II-R-21 Miscellaneous – In 2021, the City reimbursement for mileage to employees exceeded the Internal Revenue Service (IRS) maximum. Since the amount paid to employees exceeded the IRS maximum, the IRS requires this reimbursement to be included in the employees' taxable income. However, this reimbursement amount was not included in the employees' taxable income.

It appears the City did not issue a Internal Revenue Service 1099-NEC form as required.

Recommendation – The City implement procedures to ensure IRS requirements are met in relation to proper computation of employees' tax able income the issues of 1099-NEC forms are issued as required.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- II-S-21 Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's beginning and ending cash balances reported on the Levy Authority Summary do not agree with the City's records. In addition, the beginning and ending debt balances and the receipt and disbursement amounts as reported on the AURR do not agree to the City's records.

Recommendation – The City should ensure the balances reported on the AURR Levy Authority Summary agree with the City's records.

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Response – We will implement this recommendation.

Conclusion – Response acknowledged.